

UTAH COUNTIES INDEMNITY POOL

BOARD OF TRUSTEES MEETING

Friday, June 7, 2013, 8:00 a.m.

Golden Age Center, 330 S. Aggie Boulevard, Vernal

AGENDA

8:00 Call to Order and Welcome Attendees Bruce Adams

ITEM INFORMATION / ACTION

- | | | |
|----|--|----------------|
| 1 | Review/Excuse Board Members Absent | Bruce Adams |
| 2 | Review/Approve May 9, 2013 Meeting Minutes | Steve Wall |
| 3 | Ratification and Approval of Payments and Credit Card Transactions | Steve Wall |
| 4 | Review/Approve First Quarter Financial Statements | Sonya White |
| 5 | Review/Approve Coverage Amendments | Johnnie Miller |
| 6 | Review/Approve 2012 Member Equity | Johnnie Miller |
| 7 | Review 2013 Net Asset Management Plan | Johnnie Miller |
| 8 | Review 2013 Budget Amendments | Sonya White |
| 9 | Review Interlocal Cooperation Agreement Amendments | Johnnie Miller |
| 10 | Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual | Bruce Adams |
| 11 | Action on Personnel Matters | Bruce Adams |
| 12 | Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation | Bruce Adams |
| 13 | Action on Litigation Matters | Dave Blackwell |

INFORMATION

- | | | |
|----|----------------------------------|----------------|
| 14 | Chief Executive Officer's Report | Johnnie Miller |
| 15 | Other Business | Bruce Adams |
-

Electronic Meeting Notice: 888-447-7153, Participant Passcode: 2261240



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Notice Title:

Board of Trustees Meeting

Government Type:

Special Districts

Entity:

Utah Counties Indemnity Pool

Public Body Name:

Board of Trustees

Notice Subject:

Administrative Services

Notice Type:

Meeting

Street Address:

330 S. Aggie Boulevard

Street Address continued:

City:

Vernal

Zip:

84078

Start Date:

06/03/13 8:00 AM

End Date:

06/07/13 9:00 AM

Description / Agenda:

Call to Order and Welcome Attendees
Review/Excuse Board Members Absent
Review/Approve May 9, 2013 Meeting Minutes
Ratification and Approval of Payments and Credit Card Transactions
Review/Approve First Quarter Financial Statements

Review/Approve Coverage Amendments
Review/Approve 2012 Member Equity
Review 2013 Net Asset Management Plan
Review 2013 Budget Amendments
Review Interlocal Cooperation Agreement Amendments
Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual
Action on Personnel Matters
Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation
Action on Litigation Matters
Chief Executive Officer's Report
Other Business

ADA:

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Indemnity Pool, PO Box 95730, South Jordan, UT 84095, or call 800-339-4070, at least three days prior to the meeting.

Electronic Participation:

Any Member of the Utah Counties Indemnity Pool Board of Trustees may participate telephonically.

Other:**Emergency Notice:**

No

Send copy of notice to:

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Audio File Location:**Attachments:**

There are attachments associated with this notice.

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Review/Approve May 9, 2013 Meeting Minutes

Ratification and Approval of Payments and Credit Card Transactions

Review/Approve First Quarter Financial Statements

Review/Approve Coverage Amendments
Review/Approve 2012 Member Equity
Review/Approve Net Asset Management Plan
Review/Approve Amended 2013 Budget
Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual
Action on Personnel Matters
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BOARD OF TRUSTEES' MEETING MINUTES

June 7, 2013, 8:00 a.m.
Golden Age Center, 330 S. Aggie Boulevard, Vernal, UT

BOARD MEMBERS PRESENT

Bruce Adams, *President*, San Juan County Commissioner
Jim Eardley, *Vice President*, Washington County Commissioner
David Blackwell, Emery County Attorney
Kerry Gibson, Weber County Commissioner
Jerry Hurst, Tooele County Commissioner
Karla Johnson, Kane County Clerk/Auditor
Bret Millburn, Davis County Commissioner
Cameron Noel, Beaver County Sheriff
Mike Wilkins, Uintah County Clerk/Auditor

BOARD MEMBERS ABSENT

Steve Wall, *Secretary-Treasurer*, Sevier County Clerk/Auditor
Alma Adams, Iron County Commissioner
Bill Cox, Rich County Commissioner
Brad Dee, Weber County Human Resources Director

OTHERS PRESENT

Johnnie Miller, UCIP Chief Executive Officer

Call to Order

Bruce Adams called this meeting, of the Utah Counties Indemnity Pool's Board of Trustees, to order at 8:00 a.m. on June 7, 2013 and welcomed those in attendance.

Review/Excuse Board Members Absent

Jim Eardley made a motion to excuse Alma Adams, Bill Cox, Brad Dee and Steve Wall from this meeting. Mike Wilkins seconded the motion, which passed unanimously.

Approve May 9, 2013 Meeting Minutes

The minutes, of the Board of Trustees meeting held May 9, 2013, were previously sent to the Board Members for review (see attachment number one). Kerry Gibson made a motion to approve the May 9, 2013 meeting minutes as written. Bret Millburn seconded the motion, which passed unanimously.

Ratification and Approval of Payments and Credit Card Transactions

The payments made, the payments to be made and the credit card transactions were reviewed by the Board (see attachment number two). Kerry Gibson made a motion to approve, subject to Steve Wall's review, the payments made, the payments to be made and the credit card transactions. Jim Eardley seconded the motion, which passed unanimously.

UTAH COUNTIES INDEMNITY POOL

PO Box 95730, South Jordan, UT 84095-0730
Phone (801)565-8500 ☎ Fax (801)568-0495 ☎ ucip.utah.gov

Review/Approve First Quarter Financial Statements

The first quarter 2013 financial statements, prepared by Sonya White, Chief Financial Officer, were previously sent to the Board Members for review (see attachment number three). In Sonya's absence, Johnnie Miller reviewed the Balance Sheet and the Income Statement with the Board. Operating Expenses are slightly above what the Board has budgeted for 2013. Language in the notes to financials has been updated for GASB compliance. Jim Eardley made a motion to approve the First Quarter Financial Statements as prepared. Mike Wilkins seconded the motion, which passed unanimously.

Review/Approve Coverage Amendments

Johnnie Miller reviewed Cyber Liability and Expense Coverage language with the Board (see attachment number four). Johnnie is working with County Reinsurance Limited to provide this coverage to Pool Members effective July 1, 2013. Cyber Liability and Expense would need to be endorsed to the Coverage Addendum until the language can be incorporated into the Bylaws Coverage Addendum. Mike Wilkins made a motion directing staff to draft endorsements to the Coverage Addendum. Jim Eardley seconded the motion, which passed unanimously.

Johnnie Miller recommended that language to provide claims made coverage on the remaining occurrence liability forms be drafted for the Board's review and approval. Jerry Hurst made a motion authorizing staff to draft changes to the claims made coverage language for review by the Board. Jim Eardley seconded the motion, which passed unanimously.

Review/Approve Member Equity

Johnnie Miller presented the actuarial calculation of member equity, as of December 31, 2012, to the Board (see attachment number five). Jim Eardley made the motion to approve member equity as presented. Mike Wilkins seconded the motion, which passed unanimously.

Review/Approve Net Asset Management Policy

Based on the procedure to manage net assets, in the Net Asset Management Policy, Johnnie Miller presented a draft balance sheet recommending that \$200,000 be transferred from unrestricted funds to the Claim Reserve Deterioration Fund and \$200,000 be transferred from unrestricted funds to the Rate Stabilization Fund (see attachment number six). Jim Eardley made a motion to approve the transfer of funds as recommended by Johnnie Miller. Mike Wilkins seconded the motion, which passed unanimously.

Based on the procedure to manage net assets, in the Net Asset Management Policy (Dividend Plan), Johnnie Miller presented the recommended calculation of member equity dividends and member experience dividends (see attachment number seven). Kerry Gibson made the motion to approve the member dividend as calculated and presented by Johnnie Miller. Mike Wilkins seconded the motion, which passed unanimously.

Review 2013 Budget Amendments

Johnnie Miller presented proposed amendments to the 2013 Budget (see attachment number eight). Mike Wilkins made the motion to approve the Budget Amendments as presented. Jim Eardley seconded the motion, which passed unanimously.

Review Interlocal Cooperation Agreement Amendments

Johnnie Miller provided the Board with a copy of Section 11 of the Second Amended Interlocal Cooperation Agreement, a copy of Joseph Joyce's letter (dated July 16, 2009) interpreting the language in Section 11 and providing the Board with opinion that Utah court would likely uphold that the Pool does not owe any continuing obligation to members who withdraw, and a copy of Section 11 of the Third Amended Interlocal Cooperation Agreement (see attachment number nine). Johnnie recommended that the Board rescind the changes made to Section 11 in 2010. This change would clarify that the Pool would have no obligation to terminating members, including payment of claims occurring prior to withdrawal and termination. Johnnie also commented that to continue to pay claims to entities that are not members appears to be in conflict with the Intergovernmental Act, and that obligating UCIP to expenditures outside the current budget is likely a violation of statute as well. The Board agreed that while this decision may not be acceptable to all current members, the Pool needs to identify counties that are committed to long-term membership. Jim Eardley made a motion to rescind the recommended changes made to Section 11, in 2010. Mike Wilkins seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Jim Eardley made a motion to strike agenda item: *Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual*. Jerry Hurst seconded the motion, which passed unanimously.

Action on Personnel Matters

Jim Eardley made a motion to strike agenda item: *Action on Personnel Matters*. Jerry Hurst seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

David Blackwell made a motion to strike agenda item: *Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation*. Jim Eardley seconded the motion, which passed unanimously.

Action on Litigation Matters

David Blackwell made a motion to strike agenda item: *Action on Litigation Matters*. Jim Eardley seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller reported that he and Kathe Liuzzi, UCIP Loss Control Manager, have been meeting with members while delivering their Workers Compensation Fund dividend checks. Johnnie attended the County Reinsurance Limited Board meeting to review the renewal rate structure and enhanced coverage. Johnnie explained that Sonya White is working diligently on the UCIP website in anticipation of the annual underwriting process, which has been delayed due to staffing problems of the firm contracted to program the site.

Other Business

The next meeting of the Board of Trustees will be held Thursday, July 18, 2013, 12:30 p.m. at the UCIP Offices in South Jordan, UT.

Approved on this 17th day of July 2013


Steve Wall, Secretary/Treasurer

Utah Counties Indemnity Pool

Payments

May 10 - June 7, 2013

Type	Date	Num	Name	Memo	Amount
ML Expense					
Liability Check	05/14/2013		QuickBooks Payroll Service	Created by Payroll Service on 05/10/2013	-13,167.22
Liability Check	05/30/2013		QuickBooks Payroll Service	Created by Payroll Service on 05/28/2013	-13,288.79
Liability Check	05/13/2013	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270353383818326	-5,146.62
Liability Check	05/29/2013	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270354931998573	-5,197.66
Liability Check	05/28/2013	ONLINE	Utah State Tax Commission	Confirmation Number: 1-395-577-344	-1,747.27
Liability Check	05/30/2013	ONLINE	Utah Retirement Systems	Confirmation Number: 052849139062	-6,684.32
Liability Check	05/30/2013	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-1,536.71
Check	05/24/2013	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-667.65
Check	05/24/2013	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-2,805.69
Liability Check	05/10/2013	6722	Public Employees Health Program	Policy Number 1076 (April)	-4,648.34
Check	05/10/2013	6723	Rich County	Mileage Reimbursement (Bill Cox)	-453.13
Check	05/10/2013	6724	Kerry Gibson	Mileage Reimbursement	-395.50
Check	05/10/2013	6725	Karla Johnson	Mileage Reimbursement	-90.40
Check	05/10/2013	6726	Brad Dee	Mileage Reimbursement	-197.75
Check	05/10/2013	6727	Bret Millburn	Mileage Reimbursement	-358.21
Check	05/10/2013	6728	Dave Blackwell	Mileage Reimbursement	-297.19
Check	05/10/2013	6729	Bruce Adams	Mileage Reimbursement	-452.00
Check	05/10/2013	6730	Cameron Noel	Mileage Reimbursement	-118.65
Check	05/10/2013	6731	Mike Wilkins	Mileage Reimbursement	-449.74
Check	05/10/2013	6732	Alma Adams	Mileage Reimbursement	-79.10
Check	05/10/2013	6733	Steven Wall	Mileage Reimbursement	-180.80
Bill Pmt -Check	05/10/2013	6734	Davis County C&E Development	Hole & Foursome Sponsor	-750.00
Bill Pmt -Check	05/10/2013	6735	Katering Concepts	Personnel Workshop May 8-9, 2013	-725.00
Bill Pmt -Check	05/10/2013	6736	Pitney Bowes Postage by Phone	Account Number: 41036302	-250.00
Bill Pmt -Check	05/10/2013	6737	Revco Leasing Company, LLC	Invoice Number: 325606	-815.89
Bill Pmt -Check	05/10/2013	6738	Whitney Advertising & Design, Inc.	Invoice Number: 16784	-584.81
Liability Check	05/21/2013	6739	Opticare of Utah	Invoice Number: 35976	-55.35
Check	05/21/2013	6740	Kathleen M. Liuzzi	Expense Reimbursement	-20.29
Check	05/21/2013	6741	Sonya J. White	Expense Reimbursement	-244.20
Bill Pmt -Check	05/21/2013	6742	Charlene Lamph	Emergency Preparedness Kits	-341.91
Bill Pmt -Check	05/21/2013	6743	Ramada Inn	Account Number: 114	-1,319.93
Bill Pmt -Check	05/21/2013	6744	Whitney Advertising & Design, Inc.	Invoice Number: 16797	-765.56
Check	05/31/2013	6745		VOID:	0.00
Check	05/31/2013	6746		VOID:	0.00
Check	05/31/2013	6747		VOID:	0.00
Check	06/03/2013	6748		VOID:	0.00
Check	05/31/2013	6749		VOID:	0.00
Check	05/31/2013	6750		VOID:	0.00
Check	05/31/2013	6751		VOID:	0.00
Check	06/03/2013	6752		VOID:	0.00
Check	05/31/2013	6753	PEHP-LTD	Coverage Period: MAY 2013	-218.66
Check	05/31/2013	6754	Brandon Gonzalez	TULIP Overpay - Wedding 06/01/13	-36.05
Bill Pmt -Check	05/31/2013	6755	Berkley Re America	Claim: RIC9908675-001 (Athay)	-11,022.00
Bill Pmt -Check	05/31/2013	6756	Paetec	Invoice Number: 5515024	-696.26
Bill Pmt -Check	05/31/2013	6757	South Jordan City	Business License	-97.00
Bill Pmt -Check	06/03/2013	6758	Myke Hall	Board Presentation Jun 6	-50.00
Bill Pmt -Check	06/03/2013	6759	Western AgCredit	Invoice Number: 6-2013	-10,471.00
Bill Pmt -Check	06/03/2013	6760	Wilkins Bus Lines, Inc.	Transportation Jun 7, 2013	-700.00

Utah Counties Indemnity Pool Payments May 10 - June 7, 2013

Type	Date	Num	Name	Memo	Amount
Check	06/04/2013	6761	Johnnie R. Miller	Expense Reimbursement	-609.65
Check	06/05/2013	6762	Garfield County	TULIP Refund: Little Britches Rodeo	-25.91
Bill Pmt -Check	06/05/2013	6763	By The Numbers Actuarial Consultin...	Invoice Number: 2013-105	-1,000.00
Bill Pmt -Check	06/05/2013	6764	Office Depot	Invoice Number: 659219484001	-5.26
Bill Pmt -Check	06/05/2013	6765	West End Laundromat & Cleaners	Table/Linen Rental - Jun 6	-238.50
Bill Pmt -Check	06/05/2013	6766	Office Depot	Invoice Number: 659219738001	-35.95
Total ML Expense					-89,041.92
TOTAL					-89,041.92



Utah Counties Indemnity Pool

FINANCIAL STATEMENTS

Quarter Ending March 31, 2013

Utah Counties Indemnity Pool

First Quarter 2013 Financial Statements

To the Board of Trustees:

I have compiled the accompanying, in-house prepared, unaudited account balances arising from cash transactions and from accrual transaction of the Utah Counties Indemnity Pool as of 03/31/13 and accompanying notes to basic financial statements.

Sonya White
Chief Financial Officer
801-307-2113
sonya@ucip.utah.gov

Reviewed this ____ day of _____, 2013

By: _____

UTAH COUNTIES INDEMNITY POOL
STATEMENT of NET POSITION
March 31, 2013

	<u>Mar 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Mar 31, 2012</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,816,569	\$ 10,594,020	\$ 12,707,432
Accounts receivable	622,041	1,505	27,530
Reinsurance recoverable	273,268	332,617	151,300
Prepaid expenses	930,599	269,018	804,527
	<u>14,642,477</u>	<u>11,197,160</u>	<u>13,690,790</u>
INVESTMENTS	2,015,165	2,417,379	2,982,670
PROPERTY AND EQUIPMENT	38,582	42,448	53,673
OTHER ASSETS			
Land held for investment	526,778	526,778	526,778
Security deposits	11,336	11,336	11,336
	<u>\$ 17,234,337</u>	<u>14,195,101</u>	<u>17,265,246</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Reserves for losses and loss adjustment expenses	\$ 7,759,910	\$ 7,748,687	\$ 7,102,391
Accounts payable	661	5,455	100
Accrued expenses	48,878	52,702	47,990
Contributions paid in advance	3,814,241	440,882	4,710,939
TOTAL CURRENT LIABILITIES	<u>11,623,690</u>	<u>8,247,726</u>	<u>11,861,420</u>
TOTAL LIABILITIES	<u>11,623,690</u>	<u>8,247,726</u>	<u>11,861,420</u>
NET POSITION			
Net investment in capital assets	38,582	42,448	89,848
Unrestricted	5,572,066	5,904,927	5,313,978
TOTAL NET POSITION	<u>5,610,647</u>	<u>5,947,375</u>	<u>5,403,826</u>
	<u>\$ 17,234,337</u>	<u>\$ 14,195,101</u>	<u>\$ 17,265,246</u>

UTAH COUNTIES INDEMNITY POOL
STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION
March 31, 2013

	<u>Mar 31, 2013</u>	<u>Budget</u>	<u>Over Budget</u>	<u>% of Budget</u>
OPERATING INCOME				
Contributions	\$ 1,271,414	5,107,254	\$ (3,835,841)	25%
Investment income	21,569	105,000	(83,431)	21%
Other income	2,101	18,000	(15,899)	12%
TOTAL OPERATING INCOME	<u>1,295,083</u>	<u>5,230,254</u>	<u>(3,935,171)</u>	<u>25%</u>
UNDERWRITING EXPENSES				
Losses and loss adjustment expenses	1,024,443	2,779,000	(1,754,557)	37%
Reinsurance coverage	380,123	1,300,000	(919,878)	29%
TOTAL UNDERWRITING EXPENSES	<u>1,404,566</u>	<u>4,079,000</u>	<u>(2,674,434)</u>	<u>34%</u>
ADMINISTRATION EXPENSES				
Board of Trustees	9,081	40,000	(30,919)	23%
Depreciation	3,866	15,000	(11,134)	26%
Loss control	1,450	50,000	(48,550)	3%
Marketing	2,402	16,000	(13,598)	15%
Office operations	48,291	210,000	(161,709)	23%
Professional services	23,294	145,254	(121,960)	16%
Staff	137,110	675,000	(537,890)	20%
TOTAL ADMINISTRATION EXPENSES	<u>225,494</u>	<u>1,151,254</u>	<u>(925,760)</u>	<u>20%</u>
TOTAL OPERATING EXPENSES	<u>1,630,060</u>	<u>5,230,254</u>	<u>(3,600,194)</u>	<u>31%</u>
NET OPERATING INCOME	<u>(334,976)</u>	<u>-</u>	<u>(334,976)</u>	<u>100%</u>
OTHER INCOME (EXPENSES)				
Loss on sale of capital assets	-			
Unrealized loss on marketable securities	(1,752)			
TOTAL OTHER INCOME	<u>(1,752)</u>			
CHANGE IN NET POSITION	(336,728)			
NET POSITION AT BEGINNING OF YEAR	<u>5,947,375</u>			
NET POSITION AT END OF QUARTER	<u>\$ 5,610,647</u>			

UTAH COUNTIES INDEMNITY POOL
STATEMENTS of CASH FLOWS
March 31, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	\$ 4,024,236	\$ 7,036,931
Other fees collected	2,101	20,943
Reinsurance paid	(1,041,704)	(1,608,355)
Losses and loss expenses paid	(953,871)	(2,970,063)
Cash paid to employees	(140,933)	(586,981)
Other administrative expenses paid	(89,311)	(437,868)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,800,519</u>	<u>1,454,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	402,213	757,352
Investment income	19,817	120,361
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	<u>422,030</u>	<u>877,713</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchases of capital assets	-	(564)
NET CASH USED BY CAPITAL AND FINANCING ACTIVITIES	<u>-</u>	<u>(564)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,222,549	2,331,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,594,020</u>	<u>8,262,264</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 12,816,569</u></u>	<u><u>\$ 10,594,020</u></u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ (336,728)	\$ 214,356
Adjustments to reconcile change in net position to net cash flows from operating activities		
Depreciation	3,866	15,441
Interest on investments	(21,569)	(116,320)
Decrease in equity in Zions	-	-
Increase in equity in CRL	-	(296,186)
Unrealized gain on investments	1,752	(4,041)
Loss on disposal of equipment	-	191
Accounts receivable	(620,536)	1,511,873
Prepaid expenses	(661,581)	(34,248)
Reinsurance recoverable	59,349	(181,317)
Reserves for loss and loss adjustment expenses	11,223	1,090,343
Accounts payable	(4,793)	(1,487)
Accrued expenses	(3,823)	13,011
Contributions paid in advance	3,373,359	(757,009)
Total adjustments	<u>2,137,247</u>	<u>1,240,251</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 1,800,519</u></u>	<u><u>\$ 1,454,607</u></u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit Interlocal entity formed under Section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the Interlocal agreement that creates UCIP. The Pool is referred to as a: "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB Statement 34), GASB Statement No. 37, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Pool has also adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. With the implementation of these statements, the Pool has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net position as net invested in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. The following is a summary of the more significant policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

Investments in U.S. Government securities as of March 31, 2013 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct board meetings and training. In September 2008, the Board determined to hold the land as an investment for future sale instead.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as liabilities in the statement of net assets.

Contributions

Contributions are collected annually on January 1.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the current year, as of the quarter ending March 30, 2013, amounted to \$3,866.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

Subsequent Events

Management of the Pool has evaluated subsequent events through March 31, 2013. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of March 31, 2013. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the Utah Money Management Act.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$61,610 as of March 31, 2013. The corresponding bank balance of the deposits was \$73,464 as of March 31, 2013. All of the Pool's cash on deposit bank accounts are noninterest-bearing. Beginning January 1, 2013, all noninterest-bearing and other depositors' accounts will be aggregated and insured up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but the PTIF is subject to oversight by the Utah Money Management Council and all investments in PTIF are considered to be in compliance with the Utah Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on any entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Wealth Advisors DBA Contango Capital Advisors is a Certified Investment Advisory Firm subject to oversight by the Utah Money Management Council and all investments with Zions Wealth Advisors are considered to be in compliance with the Utah Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors Investments are not insured or otherwise guaranteed.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of March 31, 2013, all of the Pool's bank balances were fully insured by the FDIC.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

As of March 31, 2013, the Pool's cash and cash equivalents and investments included the following:

	2013	2012
Cash on deposit	\$ 61,610	\$ 3,323,091
Public Treasurers' Investment Fund	11,416,744	6,338,084
Zions Wealth Advisors	1,338,215	932,845
Total cash and cash equivalents	12,816,569	10,594,020
Investments - U.S. government securities	703,538	1,105,752
Equity investment in County Reinsurance Limited	1,311,627	1,311,627
Land held for sale	526,778	526,778
Total investments	2,541,943	2,944,157
Total cash and cash equivalents and investments	<u>\$15,358,512</u>	<u>\$13,538,177</u>

Investments

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually. All other investments are through the Public Treasurers Investment Fund (PTIF). The differences between book value and fair value, as of March 31, 2013, are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Statement Value
Securities	\$ 705,290	\$ -	\$ (1,752)	\$ 703,538	\$ 703,538
Equity	1,311,627	-	-	1,311,627	1,311,627
Land	526,778	-	-	526,778	526,778
Total investments	<u>\$ 2,543,695</u>	<u>\$ -</u>	<u>\$ (1,752)</u>	<u>\$ 2,541,943</u>	<u>\$ 2,541,943</u>

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's policy for managing interest rate risk is to comply with the State Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The Pool manages its exposure to declines in fair value by investing in the Public Treasurers' Investment Fund (PTIF) and other securities and by adhering to the Act. Following are the Pool's investments at March 31, 2013:

Investment Type	Carrying Amount and Fair Value	Investment Maturities (in years)	
		Less than 1	1-2
Debt securities:			
Corporate bonds	\$ 703,538	\$ 652,998	\$ 50,540
Other investments:			
CRL equity	1,311,627		
Land	526,778		
Total Other Investments	1,838,405		
Total investments	\$ 2,541,943		

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the Pool or its agent in the Pool's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of March 31, 2013, investments in U.S. government securities in the amount of \$703,538 are considered to be Category three securities. As of March 31, 2013, Public Treasurers Investment Fund (PTIF) investments, equity investments in County Reinsurance Limited (CRL) and land held for sale in the total amount of \$13,255,149 are uncategorized investments.

NOTE 3 - INVESTMENT INCOME

Investment income is comprised of the following as of March 31, 2013:

Interest:

Bonds	\$ 4,908
Equity	-
Cash	<u>16,660</u>
Total interest income	<u>\$ 21,569</u>

Cash received:

Bonds	\$ (1,752)
Cash	<u>16,660</u>
Total cash received	<u>14,909</u>

Noncash adjustments:

Equity	-
Change in accrued interest	6,678
Amortization	<u>(18)</u>
Total noncash adjustments	<u>6,660</u>
Total investment income	<u>\$ 21,569</u>

NOTE 4 - INTEREST RATES

The interest rate for assets held with the Utah Public Treasurers' Investment Fund was .5660% as of March 31, 2013.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 5 - CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Office furniture and equipment	\$ 167,190	\$ -	\$ -	\$ 167,190
Total capital assets, being depreciated	167,190	-	-	167,190
Less accumulated depreciation for:				
Office furniture and equipment	(124,742)	(3,866)	-	(128,608)
Total accumulated depreciation	(124,742)	(3,866)	-	(128,608)
Total capital assets being depreciated, net	42,448	(3,866)	-	38,582
Total capital assets, net	\$ 42,448	\$ (3,866)	\$ -	\$ 38,582

NOTE 6 - REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,407,963 as of March 31, 2013. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2002) in the amount of \$273,268 from its reinsurers for accrued losses as of March 31, 2013.

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amount of \$1,239,644 exceeds three percent of the Pool's surplus and is considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of March 31, 2013, the Pool does not have any disputed balances or uncollectible funds.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 7 - RETIREMENT PLANS

Cost-Sharing Defined Benefits Pension Plan:

Plan Description. The Pool contributes to the Local Governmental Public Employees' Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The URS provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with Title 49 of Utah Code Annotated 1953 as amended.

The Noncontributory System is established and governed by Chapter 13, Title 49 of Utah Code Annotated 1953 as amended. Utah Code Ann. §49-11-202, as amended, provides for the administration of the URS and any System under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 E. 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. The Pool is required to contribute 16.04 percent of covered salary to the Noncontributory System. The contribution rates are determined by URS using actuarial analysis. The contribution requirements of the Noncontributory System are authorized pursuant to Utah Code Ann. §49-13-301, as amended, and specified by the Utah State Retirement Board. The Pool's contribution to the Noncontributory System for the quarter ended March 31, 2013 was \$15,877. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

Defined Contribution Pension Plans:

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed five percent of the employee's eligible payroll. The total retirement expense for the Pool for the quarter ended March 31, 2013 was \$17,866.

NOTE 8 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased as of March 31, 2013, by approximately \$11,223 as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

UTAH COUNTIES INDEMNITY POOL

NOTES to FINANCIAL STATEMENTS

March 31, 2013

NOTE 8 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

The unpaid claims, losses and loss adjustment expenses of the Pool are as follows:

Beginning balance	\$ 7,748,687
Incurred loss:	
Current year	915,000
Prior year	<u>(2,963,319)</u>
Change in total incurred	<u>(2,048,319)</u>
Paid:	
Current year	145,941
Prior year	<u>5,554,427</u>
Total paid	<u>5,700,368</u>
Balance at March 31	<u>\$ 7,759,910</u>

NOTE 9 - OPERATING LEASE COMMITMENT

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid \$33,333 in rent as of March 31, 2013.

Future minimum rental commitments for the building operating lease are as follows:

2013	\$ 133,332
2014	136,999
2015	141,109
2016	<u>24,262</u>
Total minimum lease payments	<u>\$ 435,701</u>

NOTE 10 - CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

ENDORSEMENT NO. __

The Public Officials Liability Coverage Part is amended to include the following coverage section:

CYBER LIABILITY AND EXPENSE COVERAGE

THIS IS CLAIMS MADE AND REPORTED COVERAGE

1. Cyber Liability and Expense Coverage Agreement

A. Third-Party Liability

- i. The Pool will pay those sums a Covered Person becomes legally obligated to pay as damages because of a Cyber Security Event. The Pool will have the right and duty to defend the Covered Person against any Suit seeking such damages. However, the Pool will have no duty to defend any Covered Person against any Suit seeking damages to which this coverage does not apply. The Pool may at its discretion investigate any Cyber Security Event and settle any Claim that may result.

But:

- a. The amount the Pool will pay for damages and Claim Expenses is limited as described in Section 3; and
 - b. The right and duty of the Pool to defend ends when the applicable limit of liability is exhausted in the payment of judgments or settlements, Regulatory Penalties, Claims Expenses and Privacy Response Expenses.
- ii. This coverage applies only if:
 - a. The Cyber Security Event commenced on or after the Retroactive Date, if any, shown in the Declarations and before the end of the Coverage Period;
 - b. A Claim for damages because of the Cyber Security Event is first made against the Covered Person during the Coverage Period or any Extended Reporting Period; and
 - c. The Covered Person gives written notice of the Claim to the Pool in accordance with Section 4.
 - iii. A Claim seeking damages will be deemed to have been made when notice of the Claim is received by any Covered Person or by the Pool, whichever occurs first.

B. Privacy Response Expenses

- i. The Pool will pay for Privacy Response Expenses incurred by the Named Member in connection with a Cyber Security Event that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to Personal Information.

But: The amount the Pool will pay for Privacy Response Expenses is limited as described in Section 3.

- ii. This coverage applies only if:
 - a. The Cyber Security Event commenced on or after the Retroactive Date, if any, shown in the Declarations and before the end of the Coverage Period; and
 - b. The Named Member gives written notice of the Cyber Security Event to the Pool in accordance with Section 4.

C. Regulatory Proceedings and Penalties

- i. The Pool will pay for Regulatory Penalties the Covered Person becomes legally obligated to pay as a result of a Regulatory Proceeding resulting from a Cyber Security Event. The Pool will have the right and duty to defend the Covered Person against any Regulatory Proceeding to which this coverage applies. The Pool may at its discretion investigate any Cyber Security Event and settle any Claim that may result.

But:

- a. The amount the Pool will pay for Regulatory Penalties and Claim Expenses resulting from a Regulatory Proceeding is limited as described in Section 3; and
- b. The right and duty of the Pool to defend a Regulatory Proceeding ends when the applicable limit of liability is exhausted.

- ii. This coverage applies only if:
 - a. The Cyber Security Event commenced on or after the Retroactive Date, if any, shown in the Declarations and before the end of the Coverage Period;
 - b. A Regulatory Proceeding because of the Cyber Security Event is initiated against the Covered Person during the Coverage Period or any Extended Reporting Period; and
 - c. The Covered Person gives written notice of the Regulatory Proceeding to the Pool in accordance with Section 4.

- iii. A Regulatory Proceeding will be deemed to have been initiated when notice of the Regulatory Proceeding is received by any Covered Person or by the Pool, whichever occurs first.

2. **Deductible**

For each Cyber Security Event, the Pool will pay only such amounts as are in excess of the deductible amount shown in the Declarations.

3. **Limits of Liability**

- A. The limits of liability stated below establish the most the Pool will pay regardless of the number of Cyber Security Events, Covered Persons, Claims made, Suits or Regulatory Proceedings brought or individuals or entities making Claims or bringing Suits or Regulatory Proceedings.
- B. The following general aggregate limit applies: The Pool will pay no more than \$1,000,000, less applicable deductible amounts, for the sum of the following:
 - i. All damages and Claim Expenses covered under Section 1.A;
 - ii. All Privacy Response Expenses covered under Section 1.B; and
 - iii. All Regulatory Penalties and Claim Expenses covered under Section 1.C.
- C. The following per Cyber Security Event limit applies: Subject to the general aggregate limit specified in Section 3.A, for any one Cyber Security Event, the Pool will pay no more than \$1,000,000, less the applicable deductible amount, for the sum of the following:
 - i. All damages and Claim Expenses covered under Section 1.A;
 - ii. All Privacy Response Expenses covered under Section 1.B; and
 - iii. All Regulatory Penalties and Claim Expenses covered under Section 1.C.

This Cyber Security Event limit is within the general aggregate limit specified in Section 3.A. and does not add to that limit.
- D. The following sublimit applies: Subject to the general aggregate and per Cyber Security Event limits specified in Sections 3.B and 3.C, the Pool will pay no more than \$250,000 in aggregate, less applicable deductible amounts, for all Privacy Response Expenses covered under Section 1.B. This sublimit is within the general aggregate and per Cyber Security Event limits set forth in Sections 3.B and 3.C. and does not add to those limits.

E. The following sublimits apply:

- i. Subject to the general aggregate and per Cyber Security Event limits specified in Sections 3.B and 3.C, the Pool will pay no more than \$50,000 in aggregate, less applicable deductible amounts, for all Regulatory Penalties covered under Section 1.C.
- ii. Subject to the general aggregate and per Cyber Security Event limits specified in Sections 3.B and 3.C, the Pool will pay no more than \$100,000 for all Claim Expenses covered under Section 1.C.

These sublimits are within the general aggregate and per Cyber Security Event limits set forth in Sections 3.B and 3.C. and do not add to those limits.

4. **Notice to the Pool**

- A. As a condition precedent to the obligations of the Pool under this coverage, the Covered Person must give written notice to the Pool of any Claim made against the Covered Person as soon as practicable, but in no event later than the end of the Coverage Period or any Extended Reporting Period.
- B. If during the Coverage Period, any Covered Person becomes aware of a Cyber Security Event that may reasonably be expected to give rise to a Claim against any Covered Person or Privacy Response Expenses, the Covered Person must give written notice to the Pool of such Cyber Security Event as soon as practicable, but in no event later than the end of the Coverage Period or any Extended Reporting Period. Notice must include:
 - i. A specific description of the Cyber Security Event, including all relevant dates;
 - ii. The names of persons involved in the Cyber Security Event, including names of potential claimants and a specific description of any Personal Information actually or reasonably suspected to have been subject to theft, loss or unauthorized access or disclosure;
 - iii. The specific reasons for anticipating that a Claim may result from such Cyber Security Event;
 - iv. The specific nature of the alleged or potential damages arising from such Cyber Security Event; and
 - v. The specific circumstances by which the Covered Person first became aware of the Cyber Security Event.

Any Claim subsequently made against any Covered Person arising out of such Cyber Security Event shall be deemed to be a Claim made during the Coverage Period in which the Cyber Security Event was first reported to the Pool.

5. Exclusions

The following exclusions apply to this coverage in addition to all exclusions that apply to the Public Officials Liability coverage provided under this Coverage Document.

This coverage does not apply to any Claim, Suit, Regulatory Proceeding, damages, Regulatory Penalties, Claim Expenses or Privacy Response Expenses:

- A. For, arising out of, or resulting from Bodily Injury or Property Damage;
- B. For, arising out of, or resulting from any contractual liability or obligation, or arising out of or resulting from breach of contract or agreement either oral or written; provided, however, that this exclusion shall not apply to the extent the Covered Person would have been liable in the absence of such contract or agreement;
- C. For, arising out of, or resulting from any actual or alleged antitrust violation, restraint of trade, unfair competition, or false or deceptive or misleading advertising or violation of the Sherman Anti-Trust Act, the Clayton Act, or the Robinson-Patman Act, as amended;
- D. For, arising out of or resulting from any actual or alleged false, deceptive or unfair trade practices; however, this exclusion does not apply to any Claim or loss covered under this endorsement that results from a theft, loss or unauthorized disclosure of or access to Personal Information;
- E. For, arising out of or resulting from:
 - i. the actual or alleged unlawful collection or acquisition of Personal Information by or on behalf of the Covered Person; or the failure to comply with a legal requirement to provide individuals with the ability to assent to or withhold assent (*i.e.*, opt-in or opt-out) from the collection, disclosure or use of Personal Information; or
 - ii. the distribution of unsolicited email, direct mail, or facsimiles, wiretapping, audio or video recording, or telemarketing, if such distribution, wiretapping, recording or telemarketing is done by or on behalf of the Covered Person;
- F. For, arising out of or resulting from any of the following conduct by a Covered Person:
 - i. any actual or alleged violation of the Organized Crime Control Act of 1970 (commonly known as the Racketeer Influenced and Corrupt Organizations Act

or RICO), as amended, or any regulation promulgated thereunder or any similar federal law or law of any state, locality or foreign government, whether such law is statutory, regulatory or common law;

- ii. any actual or alleged violation of any securities law, regulation or legislation, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Act of 1940, any state blue sky or securities law, any other federal securities law or legislation, or any other similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws;
 - iii. any actual or alleged violation of the Fair Labor Standards Act of 1938, the National Labor Relations Act, the Worker Adjustment and Retraining Act of 1988, the Certified Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act of 1970, the Employee Retirement Security Act of 1974 or any similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws; or
 - iv. any actual or alleged discrimination of any kind including but not limited to age, color, race, sex, creed, national origin, marital status, sexual preference, disability or pregnancy;
- G. For, arising out of, or resulting from any criminal, dishonest, fraudulent, or malicious act, error or omission, any intentional security breach, or any intentional or knowing violation of the law committed by any Covered Person; provided, however, this exclusion shall not apply unless there is a final adjudication of such conduct, an admission of such conduct by the Covered Person, or in a criminal proceeding a plea of guilty, *nolo contendere*, no contest or any similar plea by the Covered Person;
- H. For, arising out of or resulting from any actual or alleged:
- i. infringement of patent or patent rights or misuse or abuse of patent; or
 - ii. infringement of copyright arising from or related to software code or software products; or
 - iii. use or misappropriation of any ideas or trade secrets by a Covered Person or on behalf of, or in collusion with a Covered Person;
- I. Arising out of or resulting from any of the following:
- i. trading losses, trading liabilities or change in value of accounts;

- ii. any loss of monies, securities or tangible property of others in the care, custody or control of the Covered Person;
 - iii. the monetary value of any electronic fund transfers or transactions by or on behalf of the Covered Person that is lost, diminished, or damaged during transfer from, to or between accounts; or
 - iv. the value of coupons, price discounts, prizes awards, or any other valuable consideration given in excess of the total contracted or expected amount that is lost, diminished or damaged;
- J. For damage to, destruction of, corruption of, or any loss of use by any Covered Person of any Computer System or data, including without limitation any costs or expenses to the Covered Person to repair or replace any Computer System or data;
- K. For, arising out of or resulting from any threat, extortion or blackmail including but not limited to ransom payments.

6. Definitions

The following definitions apply to this coverage:

“Bodily Injury” means physical injury, sickness or disease sustained by any person, including death resulting from these at any time. Bodily Injury also means mental illness, mental anguish or emotional distress, pain or suffering or shock sustained by any person, whether or not resulting from physical injury, sickness, disease or death of any person.

“Claim” means any demand, Suit for damages or Regulatory Proceeding resulting from a Cyber Security Event. All Claims because of a single Cyber Security Event will be deemed to be a single Claim and to have been made at the time the first such Claim is made against any Covered Person, regardless of the number of individuals or entities making such Claims or the time period over which such Claims are made, even if subsequent Claims are made after the Coverage Period or any Extended Reporting Period.

“Claim Expenses” means

- a. Reasonable and necessary fees charged by attorneys designated by the Pool or designated by the Covered Person with the Pool’s prior consent to assist with the investigation, adjustment, negotiation, arbitration, defense or appeal of a Claim;
- b. All other reasonable and necessary fees, costs and expenses resulting from the investigation, adjustment, negotiation, arbitration, defense or appeal of a Claim and incurred by the Pool or by the Covered Person with the Pool’s prior consent; and
- c. Premiums on appeal bonds, attachment bonds or similar bonds; however, the Pool is not obligated to apply for or furnish any such bond;

Provided, however, Claim Expenses do not include:

- a. any internal salary, administrative, overhead or other related expenses of any Covered Person or any charges by a Covered Person for time spent cooperating with the investigation and defense of any Claim; or
- b. Privacy Response Expenses.

“Computer System” means computers and associated input and output devices, data storage devices, networking equipment and backup facilities:

- a. operated by and either owned by or leased to the Named Member; or
- b. operated by a third party service provider and used to provide hosted computer application services to the Named Member or for processing, maintaining, hosting or storing the Named Member’s electronic data pursuant to a written contract with the Named Member for such services.

“Cyber Security Event” means:

- a. the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic Personal Information in the care, custody or control of the Named Member or for which the Named Member is legally responsible; or
- b. a violation or failure of the security of a Computer System, including but not limited to unauthorized access, unauthorized use, a denial of service attack or receipt or transmission of malicious code.

Any Cyber Security Event that is continuous or part of a series of repeated or related Cyber Security Events will be considered to be a single Cyber Security Event and will be considered to have commenced when the first such Cyber Security Event commenced regardless of:

- a. The number of individuals or entities engaged in such Cyber Security Events;
- b. The number of individuals or entities affected by such Cyber Security Events;
- c. The number of locations where such Cyber Security Events occurred; or
- d. The number of such Cyber Security Events occurring or period of time over which they occur, even if subsequent Cyber Security Events take place after the Coverage Period.

“Personal Information” means an individual’s name in combination with one or more of the following:

- a. information concerning the individual that constitutes “nonpublic personal information” as defined in the Gramm-Leach Bliley Act of 1999, as amended, and implementing regulations;
- b. medical or health care information concerning the individual, including without limitation “protected health information” as defined in the Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations;
- c. the individual’s Social Security number, driver’s license or state identification number, credit, debit, or other financial account numbers and associated security codes, access codes, passwords or personal identification numbers that allow access to the individual’s financial account information; or
- d. other nonpublic personally identifiable information, as protected under any local, state, federal or foreign law;

Provided, however, Personal Information does not include information that is lawfully available to the public, including without limitation information lawfully available from any Covered Person or any local, state, federal or foreign governmental entity.

“Privacy Response Expenses” means the following reasonable and necessary costs incurred by the Named Member within one year of the discovery of a Cyber Security Event that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic Personal Information in the care, custody or control of the Named Member or for which the Named Member is legally responsible:

- a. For the services of a computer security expert designated by the Pool to determine the scope and cause of a Cyber Security Event and the extent to which Personal Information was disclosed to or accessed by unauthorized persons;
- b. For the services of consultants or attorneys designated by the Pool to determine the Named Member’s obligations, if any, under applicable law to give notice to affected individuals;
- c. To notify affected individuals if required by applicable law or if the Member voluntarily elects to give such notice, and for the services of a contractor designated by the Pool to assist with providing such notice and responding to questions and concerns raised by individuals who are notified;
- d. For the services of a contractor designated by the Pool to provide identity theft protection services to affected individuals if the Named Member elects to provide such services; and

- e. For the services of a public relations consultant designated by the Pool to avert or mitigate damage to the Named Member's reputation as a result of the Cyber Security Event;

Provided, however, Privacy Response Expenses do not include:

- a. any internal salary, administrative, overhead or other related expenses of any Covered Person or any charges by a Covered Person for time spent cooperating with the investigation and response to any Cyber Security Event; or
- b. Claim Expenses.

"Property Damage" means physical injury to tangible property, including all resulting loss of use or loss of use of tangible property that is not physically injured. For purposes of this definition tangible property does not include information or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, compact disks, tapes, drives, cells, data processing devices or any other media that are used with electronically controlled equipment.

"Regulatory Penalties" means any civil fine or civil monetary penalty imposed in a Regulatory Proceeding payable by a Covered Person to the governmental entity bringing the Regulatory Proceeding and any sum of money that a Covered Person is legally obligated to deposit in a fund as equitable relief for the payment of consumer claims due to an adverse judgment or settlement of a Regulatory Proceeding.

"Regulatory Proceeding" means a request for information, civil investigative demand, Suit, civil investigation or civil proceeding commenced by or on behalf any local, state, federal or foreign governmental entity in the entity's regulatory or official capacity.

"Suit" means a civil proceeding arising out of a Cyber Security Event and includes an arbitration proceeding or other alternative dispute resolution proceeding and to which the Covered Person must submit or does submit with the consent of the Pool.

UTAH COUNTIES INDEMNITY POOL

Cyber Liability

County	Full Time Employee	Jul-Dec 2013	Jan-Dec 2014
Beaver	103	\$ 309	\$ 618
Box Elder	160	480	960
Carbon	167	501	1,002
Daggett	49	147	294
Davis	750	2,250	4,500
Duchesne	135	405	810
Emery	69	207	414
Garfield	72	216	432
Iron	183	549	1,098
Juab	74	222	444
Kane	97	291	582
Millard	132	396	792
Morgan	41	123	246
Piute	24	72	144
Rich	28	84	168
San Juan	139	417	834
Sanpete	81	243	486
Sevier	124	372	744
Tooele	320	960	1,920
Uintah	210	630	1,260
Wasatch	160	480	960
Washington	346	1,038	2,076
Wayne	31	93	186
Weber	1190	3,570	7,140
UCIP	5	15	30
Total	4,690	\$ 14,070	\$ 28,140

UTAH COUNTIES INDEMNITY POOL

Member Equity Calculation

County	Total				Percentage Net Equity to 2013 Premium
	Premium	Equity	WC Deficit	Net Equity	
Beaver	\$ 1,547,821	\$ 197,274	(\$ 45,787)	\$ 151,487	152.2%
Box Elder	4,056,072	570,327	(120,356)	449,971	203.2%
Carbon	2,497,421	240,888	(95,984)	144,904	66.0%
Daggett	641,932	57,159	(29,879)	27,280	51.0%
Davis	8,536,105	1,071,129	(275,145)	795,984	149.0%
Duchesne	2,471,615	313,727	(85,893)	227,834	170.1%
Emery	3,839,883	564,685	(115,038)	449,647	310.4%
Garfield	1,601,128	213,542	(44,471)	169,071	134.4%
Iron	3,718,697	513,061	(110,078)	402,983	167.9%
Juab	2,035,779	269,586	(79,061)	190,525	166.7%
Kane	1,708,888	206,824	(55,092)	151,732	107.8%
Millard	2,846,840	338,080	(102,091)	235,989	123.4%
Morgan	593,363	28,548	(35,791)	(7,243)	(12.6%)
Piute	432,878	50,889	(16,883)	34,006	169.7%
Rich	844,758	106,937	(32,009)	74,928	208.8%
San Juan	3,200,289	402,124	(109,630)	292,494	155.2%
Sanpete	1,812,461	265,110	(47,394)	217,716	226.1%
Sevier	2,056,857	255,968	(61,112)	194,856	135.1%
Tooele	2,866,797	213,721	(139,086)	74,635	17.2%
Uintah	4,643,952	614,140	(137,425)	476,715	134.5%
Wasatch	3,563,894	418,881	(138,732)	280,149	125.1%
Washington	5,141,205	650,644	(168,132)	482,512	143.1%
Wayne	880,641	115,365	(29,384)	85,981	191.0%
Weber	7,589,471	678,564	(335,529)	343,035	49.4%
UCIP	50,413	3,347	(3,177)	170	3.1%
Total	\$69,179,161	8,360,533	(\$2,413,158)	\$5,947,375	122.5%



NET ASSET MANAGEMENT POLICY

PURPOSE

Manage Net Asset levels to assure adequate assets to protect UCIP without holding excessive Net Assets.

GOAL

Manage Net Asset levels between 90% and 100% of annual revenue. Net Assets should be controlled within a minimum of 50% and a maximum of 120% of annual revenue.

PROCEDURE

The Board may use the Claim Reserve Deterioration Fund, the Rate Stabilization Fund, and the Dividend Plan to manage Net Assets.

The **Claim Reserve Deterioration Fund** may be used to assure designated reserves are adequate to pay all claims assumed. This fund will be shown separately on the financial statements from the claim reserves, and will show the difference, if any, between the "expected" loss reserves identified by the actuary and the amount of reserves the Board approves to dedicate. The "expected" level provides a 60% confidence level that the reserves are adequate to pay all claims assumed. The Board should consider approving reserves in the 80% to 90% confidence level when pool performance allows.

The **Rate Stabilization Fund** may be utilized to designate surplus to cover temporary or unexpected expenses, particularly reinsurance expense, to avoid temporary rate fluctuation. As reinsurance expenses can only be estimated at the time pool rates are developed, the primary use of this fund will be to cover costs of estimates that were low when rates were developed, as this would only affect the rates for that year. Additional amounts may be set aside to account for unexpected increases in reinsurance costs or other expenses, to allow for gradual rate change over multiple years.

The **Dividend Plan** should be used to return excess Net Assets to members in the manner described in the Dividend Policy.

Surplus should not exceed 100% of contributions unless the board has specific needs for such surplus which may include the following:

- Expectation of new membership;
- Development of a new line of coverage;
- Development of new or expanded coverage; or
- Development of new or expanded services.

UTAH COUNTIES INDEMNITY POOL
STATEMENT of NET POSITION
March 31, 2013

	<u>Mar 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Mar 31, 2012</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,816,569	\$ 10,594,020	\$ 12,707,432
Accounts receivable	622,041	1,505	27,530
Reinsurance recoverable	273,268	332,617	151,300
Prepaid expenses	930,599	269,018	804,527
	<u>14,642,477</u>	<u>11,197,160</u>	<u>13,690,790</u>
INVESTMENTS	2,015,165	2,417,379	2,982,670
PROPERTY AND EQUIPMENT	38,582	42,448	53,673
OTHER ASSETS			
Land held for investment	526,778	526,778	526,778
Security deposits	11,336	11,336	11,336
	<u>\$ 17,234,337</u>	<u>14,195,101</u>	<u>17,265,246</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Reserves for losses and loss adjustment expenses	\$ 7,759,910	\$ 7,748,687	\$ 7,102,391
Accounts payable	661	5,455	100
Accrued expenses	48,878	52,702	47,990
Contributions paid in advance	3,814,241	440,882	4,710,939
TOTAL CURRENT LIABILITIES	<u>11,623,690</u>	<u>8,247,726</u>	<u>11,861,420</u>
TOTAL LIABILITIES	<u>11,623,690</u>	<u>8,247,726</u>	<u>11,861,420</u>
NET POSITION			
Net investment in capital assets	38,582	42,448	89,848
Claim Reserve Deterioration Fund	200,000	-	-
Rate Stabilization Fund	200,000	-	-
Unrestricted	5,172,066	5,904,927	5,313,978
TOTAL NET POSITION	<u>5,610,647</u>	<u>5,947,375</u>	<u>5,403,826</u>
	<u>\$ 17,234,337</u>	<u>\$ 14,195,101</u>	<u>\$ 17,265,246</u>



DIVIDEND POLICY

PURPOSE

Manage Net Asset levels to assure adequate assets to protect UCIP while not exceeding statutory limitations on Net Assets.

GOAL

Manage Net Asset levels between 90% and 100% of annual revenue.

PROCEDURE

If Net Assets exceed 90% of annual revenue, the Board may issue dividends. If Net Assets exceed 100% of annual revenue, the Board should issue dividends. Dividends may be issued as Experience Dividends and/or Equity Dividends.

Experience Dividend – If Net Assets exceed 90% of annual revenue, the Board may issue an Experience Dividend. Members with loss ratios significantly below the average member loss ratio would be eligible for an Experience Dividend. Average member loss ratio would be calculated on the year in which the dividend is issued and on a multi-year basis, at the Board's discretion.

Equity Dividend – If after an Experience Dividend is provided, Net Assets remain in excess of 90%, the Board may issue an Equity Dividend to the membership. If after the Experience Dividend is provided, Net Assets remain in excess of 100%, the Board shall issue an Equity Dividend to the membership. For purposes of the Equity Dividend, equity will be calculated in accordance with the equity calculation in the Interlocal Agreement.

REQUIREMENTS

To receive an Experience Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Maintain a loss ratio significantly below the average member loss ratio; and
- Comply with specified Best Practices Program requirements as determined by the Board.

To receive an Equity Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Have an individual equity to annual contribution ratio of at least 90%.

LIMITATIONS ON DIVIDENDS

The total of Experience and Equity Dividends shall not deplete the Pool's total Net Assets below 90% of annual revenue.

UTAH COUNTIES INDEMNITY POOL

Member Dividend Calculation

County	Net Equity	Ultimate Loss Ratio		2012 Premium	Equity Dividend	Experience Dividend	Total Dividend	2013 Equity	2013 Premium
		2008-2012	2010-2012						
Beaver	\$ 151,487	11.1%	11.3%	102,168	2,043	5,108	7,152	\$ 144,335	\$ 99,513
Box Elder	449,971	83.1%	122.8%	228,049	4,561	-	4,561	445,410	221,408
Carbon	144,904	35.2%	30.8%	288,366	-	-	500	144,404	219,410
Daggett	27,280	50.6%	31.7%	52,071	-	-	500	26,780	53,488
Davis	795,984	43.1%	45.4%	541,804	10,836	-	10,836	785,148	534,389
Duchesne	227,834	70.8%	85.7%	130,815	2,616	-	2,616	225,218	133,930
Emery	449,647	31.2%	27.3%	154,824	3,096	-	3,096	446,551	144,856
Garfield	169,071	16.0%	17.2%	105,668	2,113	5,283	7,397	161,674	125,802
Iron	402,983	87.3%	33.3%	265,169	5,303	-	5,303	397,680	240,000
Juab	190,525	20.7%	10.7%	118,129	2,363	4,725	7,088	183,437	114,288
Kane	151,732	59.3%	62.2%	126,712	2,534	-	2,534	149,198	140,712
Millard	235,989	69.5%	101.9%	192,501	3,850	-	3,850	232,139	191,199
Morgan	(7,243)	178.0%	124.6%	55,699	-	-	500	(7,743)	57,280
Piute	34,006	29.2%	4.8%	19,882	398	994	1,392	32,614	20,034
Rich	74,928	45.4%	71.4%	36,869	737	-	737	74,191	35,892
San Juan	292,494	50.9%	66.5%	201,490	4,030	-	4,030	288,464	188,455
Sanpete	217,716	78.0%	80.0%	93,378	1,868	-	1,868	215,848	96,306
Sevier	194,856	55.0%	67.1%	144,597	2,892	-	2,892	191,964	144,239
Tooele	74,635	32.5%	22.6%	421,979	-	-	500	74,135	433,073
Uintah	476,715	28.1%	27.9%	370,892	7,418	3,709	11,127	465,588	354,456
Wasatch	280,149	143.5%	189.8%	221,188	4,424	-	4,424	275,725	223,993
Washington	482,512	35.0%	43.5%	340,599	6,812	-	6,812	475,700	337,249
Wayne	85,981	105.2%	22.8%	46,091	922	691	1,613	84,368	45,017
Weber	343,035	83.1%	67.8%	722,062	-	-	500	342,535	694,594
UCIP	170	0.5%	0.8%	6,462	-	-	-	170	5,551
Total	\$5,947,375	58.7%	58.1%	\$4,987,464	\$68,817	\$20,511	\$91,828	\$5,855,533	\$4,855,134

UTAH COUNTIES INDEMNITY POOL
2012 WORKERS COMP DIVIDENDS

BEAVER COUNTY	\$	3,198.83
BOX ELDER COUNTY	\$	8,418.81
DAGGETT COUNTY	\$	1,705.41
DUCHESNE COUNTY	\$	4,229.38
GARFIELD COUNTY	\$	2,118.08
IRON COUNTY	\$	7,565.60
JUAB COUNTY	\$	2,600.58
KANE COUNTY	\$	4,209.20
MILLARD COUNTY	\$	4,416.20
MORGAN COUNTY	\$	1,380.31
PIUTE COUNTY	\$	717.84
RICH COUNTY	\$	762.49
SAN JUAN COUNTY	\$	3,757.69
SANPETE COUNTY	\$	2,001.44
SEVIER COUNTY	\$	4,018.49
TOOELE COUNTY	\$	7,958.92
WASHINGTON COUNTY	\$	7,795.09
WAYNE COUNTY	\$	800.99
WEBER COUNTY	\$	16,246.87
UCIP	\$	41.20
<hr/>		
5% return on 2012 premium	\$	83,943.42

UTAH COUNTIES INDEMNITY POOL

Budget

	Approved 2013	Amended 2013	Variance
Revenue			
Premiums and other Considerations	5,107,254	5,085,654	(21,600)
Investment Income	105,000	105,000	
Program Management Fees	3,000	3,000	
Conferences	15,000	15,000	
Total Income	5,230,254	5,208,654	
Underwriting Expense			
Losses and Loss Adjustment Expenses	2,277,000	2,277,000	
Losses Incurred	502,000	502,000	
Reinsurance Expense	1,300,000	1,565,980	265,980
Total Underwriting Expenses	4,079,000	4,344,980	
Administrative Expense			
Board of Trustees	40,000	40,000	
Depreciation	15,000	15,000	
Loss Control	50,000	50,000	
Marketing	16,000	16,000	
Office Operations	210,000	210,000	
Professional Services	145,254	215,254	70,000
Staff	675,000	675,000	
Total Administrative Expenses	1,151,254	1,221,254	
Dividend Expense			
Experience	-	20,511	
Equity	-	71,317	
Total Dividends Expense	-	91,828	
Total Operating Expense	5,230,254	5,658,062	
Change in Net Position	\$ -	\$ (449,408)	
 2012 Net Position		5,947,375	
2013 Net Position		5,497,967	
2013 Net Asset Management Policy		412,313	

Section 11. TERMINATION OF PARTICIPATION.

Any Member may withdraw from the Pool, at the end of a coverage period after giving the Board timely written notice of such withdrawal, pursuant to a resolution of the Member's governing body. Timely written notice of such withdrawal must be provided to the Board no later than 120 days day prior to the date the Member's coverage would otherwise renew. The Board shall consider a timely written notice of withdrawal to be a final decision unless the notice is withdrawn by the Member 90 days prior to the date the Member's coverage would otherwise renew. The Board may, by a three-fourths vote and at its sole discretion, agree to permit an earlier date of withdrawal.

A withdrawn member shall lose all voting rights upon the effective date of withdrawal. Any claim of title or interest to any asset of the Pool, and any continuing obligation of the Pool to the member or of the member to the Pool, after the effective date of the member's withdrawal, shall end.

A member shall lose all voting rights upon termination of its membership. The terminating member shall lose any claim of title or interest to any asset of the Pool, and any continuing obligation of the Pool to the member or of the member to the Pool, after the termination of membership, shall end.

Section 12. DISSOLUTION AND DISPOSITION OF PROPERTY.

The Pool may be dissolved by a majority of the Members voting in favor of dissolution at a meeting. In the event of voluntary dissolution of the Pool, the assets of the Pool not used or needed for the purposes of the Pool, including its contractual obligations shall be distributed, as determined by the Board, only to Utah counties, which are Members of the Pool at the time of dissolution.

Upon partial or complete dissolution of the Pool by the Members, the Trustees shall determine all other matters relating to the disposition of property and dissolution of the Pool by a two-thirds vote of all Trustees.

Each member's interest in the property of the Pool shall be calculated as follows:

1. The sum of the contributions for all fund years for which the member was a participant in the Pool divided by all contributions received by the Pool during its life, is the ratio used to calculate interest in Pool property other than equity, which is defined for these purposes as cash or cash equivalent assets of the Pool.
2. For equity calculation, the ratio of each member's contributions to the total contributions shall be computed for each fund year. The member's contribution ratio shall then be multiplied by the total surplus, less any borrowed surplus, attributable to a fund year as stated in the most recent



J. Joyce & Associates
Law Firm | Professional Corporation

July 16, 2009

Johnnie R. Miller
Utah Counties Insurance Pool
P.O. Box 95730
South Jordan, Utah 84095

Re: *Utah Counties Insurance Pool
General*

Dear Johnnie:

You have asked us to provide an opinion on the options available to the Utah Counties Insurance Pool about the Pool's continuing obligations to terminated members. Our understanding is that you want us to determine what legal arguments can be made to justify either continuing to pay claims or terminating the payment of claims after a member withdraws or is terminated.

As provided in more detail below, it is our opinion that a Utah Court would likely find that: the Pool does not owe a continuing obligation to indemnify members who withdraw their membership in the Pool.

I. Review of Relevant Statutes and Case Law

To answer this question, we have carefully reviewed the Amended Interlocal Cooperation Agreement and the Amended Bylaws for the Utah Counties Insurance Pool. In addition, we have analyzed numerous Utah statutes, including the statutes governing the creation of intergovernmental entities, insurance regulations and the Governmental Immunity Act.

II. Interpretations of the Amended Interlocal Cooperation Agreement and the Amended Bylaws

Our analysis focuses on Section 11 of the Amended Interlocal Cooperation Agreement signed January 15, 2008 and on Articles 8 and 9 of the Amended Bylaws. Our focus is primarily on the language found in Section 11 that is very similar to the language in Article 9.4 of the Amended Bylaws. It states:

A withdrawn member shall lose all voting rights upon termination of its membership. The terminating Member shall lose any claim of title or interest to any asset of the Pool, and any continuing obligation of the Pool to the Member or of the Member to the Pool, after the termination of Membership, shall end.

Article 8.2 of the Amended Bylaws provides that "any continuing obligation of the Pool to the Member . . . shall be consistent with these Bylaws, the Agreement and any policy adopted by the Board, and the laws of the State of Utah."

Although we have not been able to locate the original source of the language used, it likely comes from a standard form. We believe this to be true because we found the identical language in the Bylaws and Interlocal Cooperation Agreement for the Kansas Workers Risk Cooperative for Counties. By contrast, the Bylaws of the Rhode Island Interlocal Risk Management Trust expressly require the Trust to continue paying on claims. That document expressly provides that "[t]he Trust shall continue the servicing of any covered claim after the withdrawal of a Member." (*See* http://www.ritrust.com/articles/bylaws/bylaws_june_2008.pdf.) Likewise, the Interlocal Contract of the Michigan Municipal League Liability and Pool states, "The Pool shall continue to administer any covered claim after the withdrawal of that Member." (*See* http://www.mml.org/insurance/pool/pdf/intergovernmental_contract.pdf.)

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A. The Pool Likely Does Not Owe a Continuing Obligation to Pay Claims Against Members Who Withdraw

In our opinion, a Utah court would likely uphold the provision found in Section 11 stating that the Pool does not owe any continuing obligation to members who withdraw. This is supported by our reading of the statutes and case law from other jurisdictions. Pursuant to Utah Code Annotated §11-13-204 the Utah Counties Insurance Pool has the authority to adopt, amend and repeal rules to conduct its business and there do not appear to be any statutes that place limits on that authority. For example, the insurance code expressly states that it does not apply to public agency insurance mutuals. See Utah Code Ann. §31A-1-103(7); see also § 31A-12-107 (stating that governmental agencies are not insurers under Title 31A). Accordingly, the Pool appears to be at liberty to adopt its own rules regarding coverage.

Courts from other jurisdictions have found that insurance pools are not governed by the same rules as insurers. For example, in *City of Arvada v Colorado Intergovernmental Risk Sharing Agency*, 19 P.3d 10 (Colo. 2001), the court upheld a statute stating that insurance regulations did not apply to the Colorado Intergovernmental Risk Sharing Agency. In that case, the public insurance entity had purchased coverage through Lloyds of London, and during the time that the city was a member, Lloyds of London changed its coverage to exclude breach of contract claims. The insurance code required insurers to provide of changes in coverage, but the Colorado Intergovernmental Risk Sharing Agency did not provide notice to the city. The city then sued the Intergovernmental Risk Sharing Agency for breach of a duty to provide notice that was found in the insurance code. However, the court relied on a statutory provision stating that self-insured public entities are not insurers and held that the insurance code did not apply. Accordingly, the insurance pool was not subject to the notice requirements found in the insurance code. See also *Caton v. Bd. of Comm'rs of Muskingum County*, 2003 Ohio App. LEXIS 2110 (holding that the motor vehicle liability laws did not apply to a self-insured insurance pool because such pools are not considered insurers under Ohio law).

Although we have not been able to locate appellate cases dealing with the precise language found in the Utah Counties Insurance Pool's Interlocal Cooperation Agreement, the case of *City of La Mesa v. Calif. Joint Powers Ins. Auth.*, 31 Cal. Rptr. 3d 411 (Calif. 2005) lends support to the notion that an insurance pool is free to create its own rules regarding the rights of members. In that case, a California appellate court upheld a provision in a joint powers agreement authorizing the insurance pool to retain a member's deposit when the member withdrew from the pool. That case appears to be consistent with Utah cases providing that the "terms of insurance contracts, as well as all contracts, are to be interpreted in accordance with their usually accepted meanings." *Afridi v. State Farm Mut. Auto Ins. Co.*, 2005 UT 53, ¶10, 122 P.3d 596 (Utah 2005).

If the Pool had intended to contract with its members to continue paying claims after withdrawal, the Pool could have easily used language similar to that found in the documents of the Kansas Workers Risk Cooperative for Counties or the Rhode Island Interlocal Risk Management Trust. However, the Pool elected to draft its contract and bylaws in a manner that ends any continuing obligation upon withdrawal. Because the Pool and its members are free to create their own rules, we believe there is a reasonable likelihood that a Utah court

would uphold the language found in Section 11 that says the Pool does not owe a withdrawn member any continuing obligation to cover claims.

B. A Withdrawn Member Would Likely Argue that the Bylaws Create an Ambiguity

A member who voluntarily withdraws via the withdrawal process outlined in Article 8 would likely argue that there is an ambiguity between Article 8.2 regarding withdrawal and Article 9.4 regarding termination. Article 8 explains the procedure for voluntarily withdrawing from the Pool, but it does not contain a provision expressly terminating any continuing obligation. That member would likely assert that Article 9.4 contains specific language that states the Pool does not owe a terminated member a continuing obligation to pay claims that arose prior to withdrawal. On the other hand, Article 8.2 does not contain that same language in regard to a withdrawn member.

If the withdrawn member is able to convince the court that this discrepancy between Articles 8.2 and 9.4 creates an ambiguity in the agreement between the Pool and the member, a court might construe the Bylaws in favor of finding a continuing obligation to provide coverage for withdrawn members. The Utah Supreme Court has expressed a public policy "that when an ambiguity exists in an insurance contract, that ambiguity is interpreted in favor of coverage." *Mellor v. Wasatch Crest Mut. Ins. Co.*, 2009 UT 5, ¶16 (Utah 2009). "[I]f an insurance contract has inconsistent provisions, one which can be construed against coverage and one which can be construed in favor of coverage, the contract should be construed in favor of coverage." *Id.*

Due to the lack of case law interpreting these provisions, we acknowledge that there is no clear cut interpretation of this language. However, we find the argument in favor of terminating coverage more compelling than the argument for continuing coverage. This is because Article 8.2 of the Bylaws specifically states that "any continuing obligation of the Pool to the Member or of the Member to the Pool, after the effective date of the Member's withdrawal, shall be consistent with these Bylaws, the Agreement and any policy adopted by the Board . . ." In order to read the Bylaws consistently with the Agreement, one has to acknowledge that the Agreement has been modified to expressly state that withdrawn members lose all voting rights and that any continuing obligation of the Pool ends upon termination of the membership.

If you would like additional information or clarification, please do not hesitate to call. We appreciate you giving us the opportunity to evaluate this matter and we hope to work with you again in the future.

Sincerely,

J. JOYCE & ASSOCIATES

Joseph J. Joyce

Section 11. WITHDRAWAL AND TERMINATION.

1. Any Member may withdraw their participation in a line of coverage of the Pool, but only at the end of a Pool fiscal year after giving the Board timely written notice of such withdrawal, pursuant to a resolution of the Member's governing body. Timely written notice of such withdrawal must be provided to the Board no later than 120 days prior to the Member's intended date of withdrawal. The Board shall consider a timely written notice of withdrawal to be a final decision unless the notice is rescinded by the Member no later than 90 days prior to the Member's intended date of withdrawal. The Board may, by a three-fourths vote and at its sole discretion, agree to permit an earlier date of withdrawal. A Member withdrawn from a line of coverage shall lose any voting rights inured as a result of participation in that line of coverage and any claim of title or interest to any asset of the Pool resulting from that line of business upon the effective date of that withdrawal with the exception of the right to payment of claims which occurred prior to withdrawal, or in the case of "claims made" coverage, the payment of claims made within the claims made reporting period adopted by the Board and in effect at the time of withdrawal.
2. Any member may terminate its membership in the Pool, but only at the end of a Pool fiscal year, after giving the Board timely written notice of such termination, pursuant to a resolution of the Member's governing body. Timely written notice of such termination must be provided to the Board no later than 120 days prior to the Member's intended date of termination. The Board shall consider a timely written notice of termination to be a final decision unless the notice is rescinded by the Member at least 90 days prior to the Member's intended date of termination. A terminating Member shall lose all voting rights and any claim of title or interest to any asset of the Pool upon the effective date of termination with the exception of the right to payment of claims which occurred prior to termination, or in the case of "claims made" coverage, the payment of claims made within the claims made reporting period adopted by the Board and in effect at the time of termination.

Section 12. DISSOLUTION AND DISPOSITION OF PROPERTY.

The Pool may be dissolved by a majority of the entire Membership voting in favor of dissolution at a Membership Meeting. In the event of voluntary dissolution of the Pool, the assets of the Pool not used or needed for the purposes of the Pool, including its contractual obligations shall be distributed, as determined by the Board, only to Utah counties, which are Members of the Pool at the time of dissolution. The Members of the Pool at the time the vote is held to dissolve the Pool shall continue to be considered Members of the Pool until the final disposition of property and dissolution of the Pool is complete.

Upon partial or complete dissolution of the Pool by the Members, the Trustees shall determine all other matters relating to the disposition of property and dissolution of the Pool by a two-thirds vote of all Trustees.

